



JOHN STINEMAN REMARKS TO IOWA BROADBAND COMMITTEE
SEPT 24, 2013

Thank you for the opportunity to present this morning. My name is John Stineman. I am a West Des Moines-based consultant and I am here on behalf of two organizations for which I serve as executive director: the Iowa Chamber Alliance and the Heartland Technology Alliance.

The Iowa Chamber Alliance is the coalition of the sixteen largest Chamber of Commerce and economic development organizations working on behalf of all of Iowa to promote a pro-growth agenda. The Heartland Technology Alliance is a regional non-partisan, non-profit organization promoting a public discussion on important technology and connectivity issues in the Midwest.

For both organizations, the mission you have been called to serve by Governor Branstad and Lt. Govern Reynolds is of great interest.

As you each know, reliable, fast broadband connectivity is a game-changer. It puts communities on the map to compete for jobs. It allows individuals to connect, work and innovate in new and interesting ways. It takes education to the next level. It opens up new frontiers for commerce – both through digital enterprises as well as bringing new efficiencies and opportunities to established traditional businesses. Access to broadband and adoption where it is available are central to Iowa's economic future and Iowans' dependence on broadband and demand for faster, more reliable connections will only continue to escalate.

There is nothing that I just said that you all do not know. If those basic assumptions were not accepted, your committee would not exist.

What we need to spend time on is how we get there. And the Iowa Chamber Alliance and the Heartland Technology Alliance suggest a novel approach: doing what we already do well. Treat broadband – regardless of type of connection – as we do any other industry or capital investment we try to attract to the state: create the best business environment for it, incentivize it where necessary and

appropriate, and relentlessly pursue those that can make investments that benefit Iowa communities with the opportunities that come with high-speed connections.

Broadband is a complex service. You have several types of service providers: traditional providers – in our case, CenturyLink – that are built on top of the Bell system. The independent land-line providers – Windstream, Frontier and the smaller local and regional companies represented by the Iowa Telecommunications Association and the Rural Iowa Telecommunications Association, local cable providers – Mediacom, Cox and some municipally owned networks, and wireless carriers – Verizon, AT&T, T-Mobile, Sprint, US Cellular, iWireless and others.

There are two ways to look at the fact we have so many providers: 1) in most places, you have a competitive environment, and 2) each of the providers are going to have a different idea of what is going to help them. Fortunately, they all most likely share a common goal: to provide broadband connections to Iowans in support of economic growth and opportunity, streamlined access to health care, and access to educational resources for students and teachers, and much more. The— Federal, state and local regulatory environment - where providers do business - often has the effect of pitting one type of provider against another. But as champions for broadband, we should set our sights firmly on what we know Iowans need in today's modern economy.

So a first step toward supporting a competitive environment and ensuring choice for Iowans is to look for areas within our policy, tax and regulatory systems that can be improved. There are the big issues, such as corporate income tax, which are complicated and relatively high. Remember that deploying these networks has huge costs, so we have to keep an eye on the macro issues that affect businesses.

From a property tax perspective, Iowa made forward motion with some meaningful commercial property tax relief for most telecom providers earlier this year. While that progress will take a while to be realized, it is important and ought to be promoted as something the State is doing right.

From a regulatory perspective, it gets more challenging as providers are treated differently at the federal and state level. We shouldn't make the mistake of thinking we can solve all the regulatory issues affecting telecommunications at the State level alone. But, we can affect them.

No company or decision maker within a company wants to invest capital in places where they believe its value will be hurt by an aggressive regulatory system. There are opportunities to provide policy recommendations that tell the regulators – in this case the Iowa Utilities Board – to exercise restraint so Iowans reap the positive impacts of increased investments.

States possess broad authority to regulate communications. If a state is viewed as being aggressive in regulatory posture or overly deliberative with its decision-making, it is a less attractive place for capital investment, which creates a playing field that negatively affects competition in the marketplace. Saying “what regulations can we put in place to attract more broadband” misses the mark. Rather, we should apply what other industries tell us: lighter regulation means less risk to capital and more opportunity for investment.

Several states have taken the initiative to proactively protect certain emerging services and technologies from future state regulation. They have taken newer services, such as Voice over IP service or IP based services, and now statutorily protected them from possible state regulation in the future. Since these services are already regulated by the FCC, and in Iowa they are currently not regulated by the State, why not codify it and give assurances they will remain that way? This would send a message to both Iowa consumers who will continue to enjoy the velocity of a growing industry, and to broadband providers and technology innovators whose services – currently offered or future – will not face a heavy state regulatory burden in the future. This is a worthwhile policy concept and is worth pursuit in Iowa.

Technology policy in Iowa today should recognize the dynamic and competitive nature of Internet Protocol technology in order to increase opportunity and attract broadband investment.

Let’s identify the common issues among providers that can help keep the ball rolling.

For example, rights-of-way. Regardless of how broadband is delivered to the consumer, at some point it will run through fiber in the ground. And we want more fiber in the ground. Examination of local regulations – and consideration of a standardization of right-of-way rules may help reduce providers’ costs with respect to laying more fiber. Further, if a street or highway or other right-of-way is being dug up, let’s take advantage by communicating with providers to see if they want to lay cable while it’s open – or even subsidize conduit that would make laying fiber significantly less costly to providers down the road when they are ready to invest. This seems like a no-brainer.

Tower-sighting is another issue. While Iowa communities have handled this matter better than some other states, there are occasions where cell towers have been difficult to site due to local regulations and high costs. Iowa ought to consider a “shall issue” permitting process for cell towers. Tower siting plans, if they meet certain basic criteria, should qualify automatically for permits. Wireless broadband offers another choice to connect Iowans to the resources of the Internet. If we want more connections, we should be looking for solutions that support the infrastructure that provides it.

Tax incentives for network equipment ought to be considered. Broadband is not just about fiber. Providers have to make real facility investments. Favorable tax treatment for broadband infrastructure expenditures – whether fiber or plant – would send the signal that Iowa is tech-friendly and open for business.

Iowa's State and local economic development leaders need to ask of current and future broadband providers, "what do you need to invest here?" Let's identify the needs and formulate strategies for affecting them.

Throughout our efforts, it is important that as we consider all of the issues around increased broadband investment in Iowa, we look at it from the perspective of securing the investments needed to accommodate the exponential growth in consumer demand for new technologies and high-speed access to the Internet.

With the exception of our important "home grown" providers, all the national and regional companies have many, many options for where they can deploy their assets. It's up to us to speak up for the people who live here, and to make the case why broadband providers should invest in networks in Iowa instead of Minnesota or California or North Carolina. This is just like any other economic development effort. We compete nationally – if not internationally – for investment. It's up to us to claim a seat at the table.

The providers that can invest need to know that 1) they are investing in a predictable, fair and light-touch regulatory environment, 2) they need to be well treated as businesses, not just as broadband providers, 3) they need to have assurances they will not be competing with public owned networks, 4) they need to see Iowa's local and State government as "easy to do business with," and 5) we need to be creative in designing incentives that help put us over the top as a destination for broadband capital.

Heartland Technology Alliance member and immediate past Chair of the Iowa Chamber Alliance, Steve Dust, CEO of the Greater Cedar Valley Alliance, is fond of quoting Wriston's Law of Capital: "Capital will always go where it's welcome and stay where it's well treated." It's an axiom to remember as we approach broadband investment in Iowa.

In addition to my remarks today, I have identified a series of articles and studies that go into much further detail with respect to the concepts I have briefly outlined here today. I have provided them to Amy so they can be shared among you and others interested in the issues.

Thank you very much for your time and for your important work on this set of issues.